

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

**DEPARTMENT OF HEALTH
AND SOCIAL SERVICES**

VIDEO LOTTERY FUNDS

SPECIAL INVESTIGATION



FIELDWORK END DATE: APRIL 3, 2006

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EXECUTIVE SUMMARY

ALLEGATION

The Office of Auditor of Accounts (AOA) received an allegation regarding the Department of Health and Social Services (DHSS), Division of Substance Abuse and Mental Health (DSAMH). The complainant stated that DHSS/DSAMH receives approximately \$1 million in State funds to assist Delaware residents with gambling problems. The complainant alleged the following:

- Fifty percent of the funds are used out of state.
- During 2005, an audit of the program was to be performed. In order to cover the funds that were used out of state, the agency secured a loan.

BACKGROUND

Title 29, Delaware Code, §4815 (b) (2) states that funds retained by the State Lottery, after payments to players, “shall be applied as follows . . . \$1,000,000 or 1%, whichever is greater, of the proceeds distributed under (b)(2)a.-d. of this section, to the Division of Substance Abuse and Mental Health of the Department of Health and Social Services for funding programs for the treatment, education and assistance of compulsive gamblers and their families.”

The DHSS/DSAMH contracts with providers to furnish the treatment, education and assistance of compulsive gamblers and their families.

CONCLUSIONS

Allegation

Fifty percent of the funds are used out of state.

During 2005, an audit of the program was to be performed. In order to cover the funds that were used out of state, the agency secured a loan.

Conclusion

Unsubstantiated

Unsubstantiated

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AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency and economy; and
5. Such data, information and recommendations as the Auditor of Accounts may deem advisor and necessary.

ALLEGATION AND BACKGROUND

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OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

The objectives of the investigation were:

1. Determine if state funds were used out of state.
2. Determine if DHSS/DSAMH obtained a loan to cover funds used out of state.
3. Determine if State funds were properly expended in accordance with DHSS/DSAMH contracts.

SCOPE

AOA reviewed financial and other documentation for Fiscal Year 2005 (FY2005) relative to funds received from the State Lottery attributable to the treatment, education and assistance of compulsive gamblers and their families.

METHODOLOGY

AOA developed procedures to address the aforementioned objectives. Procedures consisted of (a) interviews and inquiry of key personnel and (b) inspection of documentation including contracts and financial records.

CONCLUSIONS

<u>Allegation</u>	<u>Observations</u>	<u>Conclusion</u>
Fifty percent of the funds are used out of state.	<p>Funds received by DSAMH during FY2005 totaled \$1,598,173.66. Of that amount, \$1,178,758.55 was spent in FY2005. An additional \$73,834.11 was spent from July 1, 2005 through August 11, 2006. The remaining \$345,581 was carried forward to the FY2006 appropriation.</p> <p>DSAMH contracted with Delaware companies to provide services for the treatment, education, and assistance of compulsive gamblers and their families. The contracts stipulated that Delaware residents should receive priority. Over 90% of the persons treated were Delaware residents.</p>	Unsubstantiated
During 2005, an audit of the program was to be performed. In order to cover the funds that were used out of state, the agency secured a loan.	AOA reviewed the financial records and activity of DSAMH. There was no evidence of a loan.	Unsubstantiated

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Carl C. Danberg, Attorney General, Office of the Attorney General

Other

The Honorable Vincent P. Meconi, Secretary, Department of Health and Social Services